



## Allowance for Doubtful Accounts

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National Laboratory

Financial Policies and Procedures

Part II - Chapter 1.07

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### Summary

The purpose of this document is to provide the Laboratory policy and procedures for accounting for the allowance for doubtful accounts in the Laboratory Financial Management System (FMS).

### Policy

#### *Overview*

Doubtful accounts are receivables that are deemed not likely to be paid. The allowance for doubtful accounts is a valuation account (i.e., a contra asset) and is subtracted from trade receivables on the balance sheet. An estimate is made of the expected uncollectible accounts from the total of outstanding receivables. This estimate is entered as an expense and an indirect reduction in accounts receivable (via an increase in the allowance account) annually.

To reserve the allowance for doubtful accounts, the Laboratory complies with the accounting criteria in the Department of Energy (DOE) Accounting Handbook, Chapter 8, Receivables.

This procedure applies to all Laboratory receivables including work for others, work performed for other DOE entities, technology transfer funds-in agreements, and miscellaneous accounts receivable.

### Procedures

#### ***Review the allowance account***

The allowance for doubtful accounts will be periodically reestimated against the aging of receivables to ensure proper valuation of the accounts receivable balance.

Annually, the Accounts Receivable Department estimates the amount of accounts receivable deemed to be uncollectible based on past experiences, present market

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conditions, and an analysis of the outstanding balances.

The allowance should be established in the same fund as the original receivable and the general ledger allowance account associated with the original receivable.

For example, if an uncollectible invoice is a debit balance the entry is as follows:

	SGL	Description	Account	Project ID	Dept	MARS	Fund	B&R	Resource Type	Resource Category
DR	8132	Direct Expense	616000	350101	XX	OPEXP	WA	YN0100000	MXDAF	57000
CR	1517	Allowance	131917		CFOBAL	73BAL	WA			

### ***Uncollectible receivable***

- If the Accounts Receivable Department determines that a receivable will not be totally collected, the allowance for doubtful accounts will be increased to reduce the gross amount of the receivable to its net realizable value.
- When a debt is referred to DOE/Treasury or the debtor has filed for bankruptcy, an allowance for doubtful accounts will be established.

Immediately upon receiving notice that a debtor has filed for bankruptcy, the Accounts Receivable Department forwards a copy of the bankruptcy notice to the Office of General Counsel, DOE/Chicago. No late charges will accrue from the date of the bankruptcy filing.

**Write-offs** (refer to LBNL Financial Policies and Procedures “Write-Off of an Accounts Receivable”)

All write-offs must be made through the allowance account. The Accounts Receivable Department reviews the aging report on a regular basis and initiates write-offs of non-federal accounts considered uncollectible.

- Reverse allowance accounting entry from above
- Prepare resource adjustment/journal entry

	SGL	Account Category	Account	Project ID	Dept	MARS	Fund	B&R	Resource Type	Resource Category
DR	8132	Direct Expense	616000	350101	OP	OPEXP	WA	YN0100000	MXDAF	57000
CR	8132	Project Cost	616000	Project	XX	OPEXP	XX	Cost B&R		

### ***Threshold and date of delinquency***

DOE has determined that once a debt is over \$500 and 120 days delinquent, it should be transferred to Treasury for further collection activities.

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### ***Approve write-off***

The write-off is initiated and approved by the Accounts Receivable Manager. Write-offs in excess of \$500 must be further reviewed and approved by DOE. Write-offs should contain appropriate supporting documentation and signature.

Approval guidelines are as follows:

- $\leq$  \$500 - Accounts Receivable Manager
- $>$  \$500 - DOE, Chicago Operations Office

### **References**

Financial Policies & Procedures, Part II - Chapter 1.05, Write-Off of an Accounts Receivable  
[DOE Accounting Handbook, Chapter 8, Receivables](#)

### **Glossary**

***Doubtful accounts:*** Receivables that are deemed not likely to be paid. The allowance for doubtful account is a valuation account (i.e., a contra asset) and is subtracted from trade receivables on the balance sheet.